

**Annual Evaluation of the
Hawaii Unemployment Compensation Fund**

State of Hawaii
Department of Labor & Industrial Relations

December 2001

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TABLE OF CONTENTS

	Page
Executive Summary	1
Background Information	5
? Purpose of Report	
? Fund Definition and Requirements	
Status of the Unemployment Compensation Fund	7
? Status of the Fund	
? Fund Solvency	
? Tax Rates	
? Total and Taxable Wages	
Economic Outlook.....	9
? General Conditions and Outlook	
? Labor Force Data	
? Insured Unemployment and Employment Covered by the UC Fund	
? Weekly Benefit Amount and Average Duration	
Experience Rating.....	13
? Description	
? Charged and Noncharged Benefits	
? 2000 Employer Data	
 <i>Appendixes</i>	
A Computation of Employer Contribution Rates.....	A-1
B Annual Data from 1970	
? Labor Force Data	A-2
? Insured Unemployment and Employment Covered by the UC Fund....	A-3
? Weekly Benefit Amount and Average Duration	A-4
? Hawaii Unemployment Compensation Fund.....	A-5
? Ratio of Current to Adequate Reserve Fund	A-6
? Unemployment Insurance Tax Rates.....	A-7
? Total and Taxable Wages.....	A-8
? Charged and Noncharged Benefits.....	A-9
C Benefits Not Charged to Employer Accounts.....	A-10
D The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present	A-11

EXECUTIVE SUMMARY

Highlights

	2000	2001	2002
Unemployment Compensation Fund			
Contributions	\$139 million	\$107 million*	\$96 million*
Interest	\$18 million	\$26 million*	\$13 million*
Benefits – Regular	\$97 million	\$138 million*	\$228 million*
Benefits – State Additional		\$2 million*	\$29 million*
Fund Balance (end of year)	\$307 million	\$300 million*	\$152 million*
Unemployment Rates			
Hawaii Insured Unemployment Rate	1.7%	2.3%*	3.5%*
Hawaii Total Unemployment Rate	4.3%	4.6%*	5.1%*
U.S. Total Unemployment Rate	4.0%	4.7%*	5.2%*
Taxable Wage Base	\$27,500	\$28,400	\$29,300
Tax Schedule	Schedule D	Schedule C	Schedule C
Tax Rates			
Minimum	0.2%	0.0%	0.0%
Maximum	5.4%	5.4%	5.4%
Average			
% of Taxable Wages	1.7%	1.2%*	1.7%*
% of Total Wages	1.2%	0.8%*	1.2%*
Weekly Benefit Amount			
Minimum	\$5	\$5	\$5
Maximum	\$371	\$383	\$395
Average	\$273	\$283*	
Average Benefit Duration	15.4 weeks	14 weeks*	

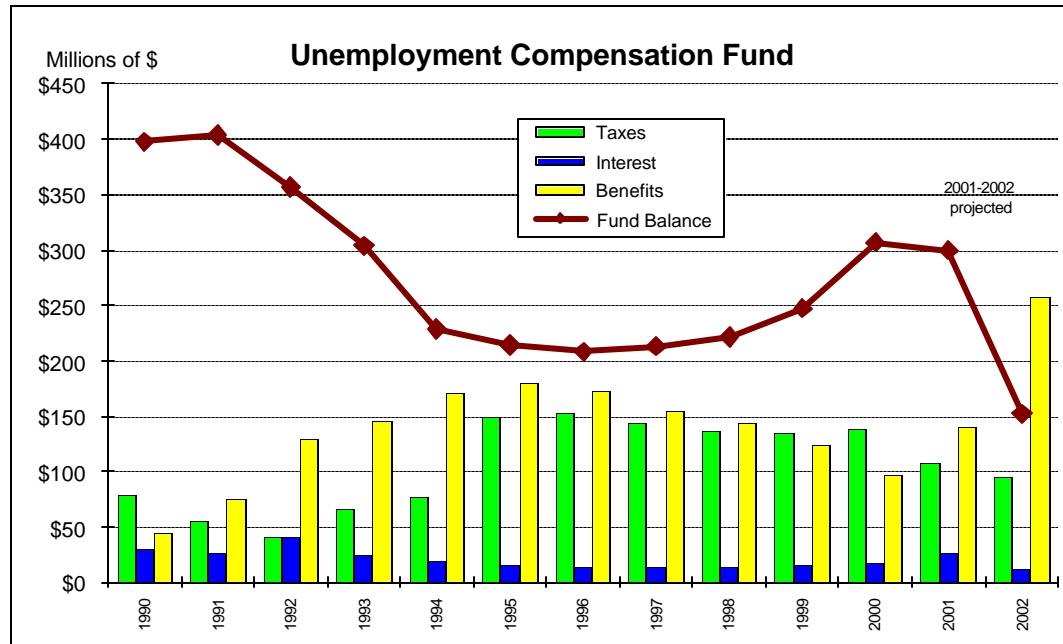
* estimated

Status of the Fund

The Hawaii Unemployment Compensation Fund *balance was \$317.7 million at the end of November 2001*. During the first eleven months of 2001, \$106.2 million in taxes and \$21 million in interest were added to the fund. At the same time, \$116.5 million in benefits were paid out from the Fund. As of November, the fund balance is at 97% of the adequate level.

This amount would finance about one and a half years of unemployment at the worst level experienced during the last ten years.

The fund balance at the end of 2001 is projected to be \$300 million. Assuming year 2002 insured unemployment remains relatively high, averaging about 18,300 claims per week, the fund balance will be \$152 million at the end of 2002. The November 2002 balance will be 48% of the adequate reserve amount and Schedule F will be in effect for 2003.



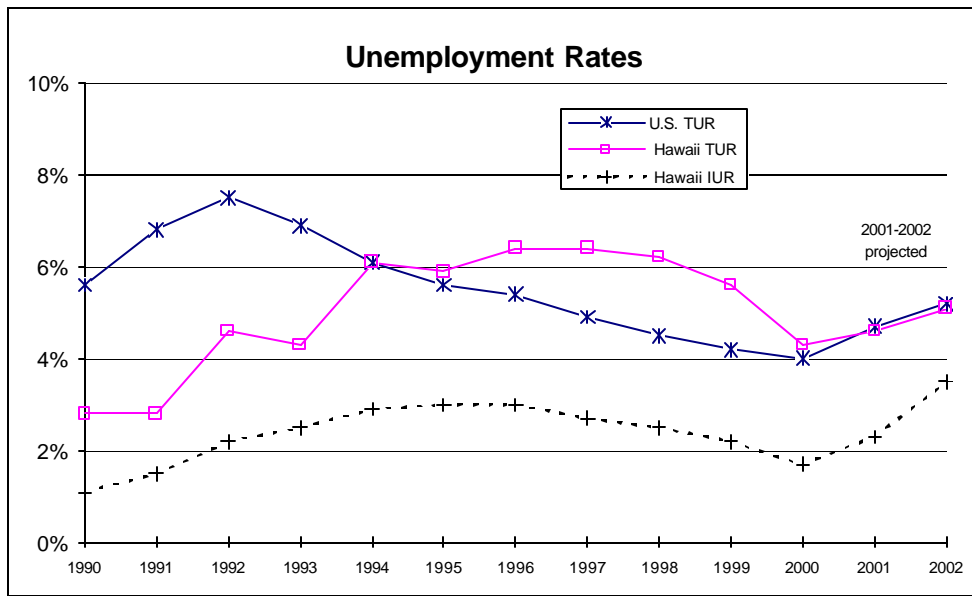
Economic Outlook

The national economy continues to reflect the effects of a recession, which began in March 2001, and was exacerbated by the September 11 terrorist attacks. For the first ten months of 2001, the unadjusted national total unemployment rate (TUR) averaged 4.6%, up from the 2000 annual average rate of 4.0%.

Hawaii's economy is also experiencing the effects of the current turbulent times. The state's total unemployment rate (TUR) was 5.2% for October 2001. It averaged 4.5% for the first ten months of 2001 as compared to the 2000 annual average rate of 4.3%.

The insured unemployment rate (IUR) is a measure of the unemployed covered by Hawaii's unemployment compensation program and is used to project outgo from the Unemployment Compensation Fund. The IUR averaged 1.7% in 2000 and has increased to 2.7% as of November 2001.

Projections in this report assume that national and Hawaii labor force numbers will continue to reflect a struggling economy. Hawaii's total unemployment rate (TUR) is projected to average 4.6% in 2001 and 5.1% in 2002. Trust fund estimates are based on an insured unemployment rate (IUR) of 2.3% in 2001 and 3.5% in 2002.



2002 Tax Schedule and Taxable Wage Base

Tax schedule C will remain in effect for the year 2002 due to special legislation enacted in November 2001. Tax rates will range from 0.0% to 5.4%. The estimated average tax rate will be 1.2 %.

The taxable wage base (maximum annual wages taxable per employee) will increase by \$900 to \$29,300 in 2002, from \$28,400 in 2001.

BACKGROUND INFORMATION

Purpose of Report

This report is produced to meet the requirements of section 383–126.5, Hawaii Revised Statutes, which calls for an *annual evaluation of the adequacy of the Hawaii Unemployment Compensation Fund balance*, taking into account conditions in the State and national economic trends. The report is due to the Legislature no later than 20 days prior to the convening of the regular session.

Fund Definition and Requirements

Establishment of Fund in Hawaii state law. The Hawaii Employment Security Law (Hawaii Revised Statutes, chapter 383) establishes the Unemployment Compensation Fund under the administration of the Department of Labor and Industrial Relations. Unemployment insurance contributions (taxes) are collected from employers and deposited into this fund. Interest earned on the fund balance is also credited to the fund. The fund can be used *only* to pay unemployment insurance benefits or refunds of overpaid contributions.

Federal requirements. The unemployment insurance program is governed by both state and federal laws. The Federal Unemployment Tax Act (FUTA), which is part of the U.S. Internal Revenue Code, provides for a federal payroll tax—currently 6.2% of the first \$7,000 in wages per year per employee. Employers receive a tax credit of 5.4% against the Federal tax (resulting in a net tax rate of 0.8%) if their state's law meets all the requirements in the federal laws. The federal tax pays for state and federal administration costs, the federal share of extended benefits, and a loan fund for states that deplete their unemployment funds.

The Social Security Act also contains many requirements relating to the unemployment insurance program.

Three important trust fund related federal requirements are as follows.

- ? All state unemployment compensation funds must be maintained in the U.S. Treasury as part of the federal Unemployment Trust Fund. Each state has an account in the Trust Fund and interest is paid quarterly to the account by the federal government.
- ? The Trust Fund can be used essentially only for the payment of unemployment benefits.
- ? Employers receive the full 5.4% federal tax credit only if the state's system for determining individual employer tax rates meets federal standards. For example, the state's maximum tax rate must be at least 5.4% and an employer's tax rate may be

reduced from the maximum, but the reduction must be based on that employer's experience with unemployment (experience rating).

Nonconformity to federal standards can result in:

- ? denial of all credit against the federal tax (employer's federal tax would be the full 6.2% on the \$7,000 wage base);
- ? denial of additional credit (employer's federal tax would be the difference of the full federal tax minus their state taxes paid); and/or
- ? denial of administration grants to run the state program.

To insure that Hawaii employers continue to receive full federal unemployment tax credits, and funding for the state program is not lost, federal standards must be considered in developing laws affecting Hawaii's Unemployment Compensation Fund.

STATUS OF THE UNEMPLOYMENT COMPENSATION FUND

Status of the Fund

(Historical data from 1970: Appendix B, page A-5)

The fund balance was \$317.7 million at the end of November 2001 compared to \$307.0 million at the end of 2000. During the first eleven months of 2001, \$106.2 million in taxes and \$21.0 million in interest were added to the Fund. At the same time, \$116.5 million in benefits were paid out from the Fund.

Projections through 2002: For this report the insured unemployment rate is projected to average 3.5% in 2002. This would result in a benefit outgo of about \$257 million in 2002. Taxes and interest are projected at about \$109 million in 2002. On the basis of this forecasted level of unemployment, the fund balance would be at about \$152 million by the end of 2002. At this level, tax schedule F would be in effect for 2003.

HAWAII UNEMPLOYMENT COMPENSATION FUND

(in millions of \$)

Year	Taxes	Interest	Benefits	Fund Balance
1999	\$134.1	\$15.7	\$124.1	\$247.2
2000	\$138.9	\$17.8	\$96.9	\$307.0
2001				
Jan	\$7.9	\$5.1	\$9.4	\$310.5
Feb	\$16.6	\$0.0	\$7.9	\$319.2
Mar	-\$0.5	\$0.0	\$8.2	\$310.5
Apr	\$10.4	\$5.2	\$9.8	\$316.3
May	\$22.6	\$0.0	\$9.4	\$329.5
Jun	\$0.6	\$0.0	\$9.0	\$321.1
Jul	\$8.6	\$5.3	\$10.9	\$324.1
Aug	\$19.3	\$0.0	\$9.6	\$333.8
Sep	-\$0.1	\$5.4	\$8.8	\$330.3
Oct	\$6.9	\$0.0	\$16.0	\$321.2
Nov	\$ 14.0	\$0.0	\$17.5	\$317.7
<i>Projected</i>				
2001	\$107	\$26	\$140	\$300
2002	\$96	\$13	\$257	\$152

Fund Solvency

(Historical data from 1970: Appendix B, page A-6)

The Hawaii Employment Security Law defines the factors used to determine the adequacy of the Fund and how the tax rate schedule for the coming year is computed based on that adequacy level. Appendix A outlines the method for determining the tax schedule and how

each employer's individual tax rate is computed based on the employer's experience as well as the schedule in effect.

On page A-6, Appendix B, the table entitled *Ratio of Current to Adequate Reserve Fund* shows the data used in tax schedule computations since 1970. The *adequate reserve fund* is basically the amount of benefits that would be paid out during one and a half years of unemployment at the highest level experienced during the most recent ten years. For the 2002 tax schedule computation, the adequate amount is \$328,268,808. The current reserve fund (actual fund assets as of November 30, 2001) is \$317,703,649. The current reserve is 97% of the adequate reserve. Based on this computation, Schedule D should be in effect for 2002. However, due to special legislation passed in response to adverse economic effects of the September 11 terrorist attacks, Schedule C will remain in effect for 2002.

Tax Rates

(Historical data from 1970: Appendix B, page A-7)

One of eight tax schedules, A through H, is in effect for a calendar year as explained in Appendix A. Schedule A has the lowest tax rates, while schedule H has the highest. The average tax rate attainable from a particular tax schedule depends on the distribution of employers by reserve ratio groups. Employers tend to move to higher reserve ratio groups during periods when contributions exceed benefits. Thus more employers move into the lower tax rate groups and the average tax rate for a schedule decreases. Minimum, maximum, and average tax rates are shown on page A-7, Appendix B. Taxes are estimated to average about 1.2% of taxable wages during calendar years 2001 and 2002 with Schedule C in effect.

Taxable Wage Base

(Historical data from 1970: Appendix B, page A-8)

There is a maximum limit on the amount of annual wages taxable per employee for unemployment insurance tax purposes. The law sets this amount, the *taxable wage base*, at 100% of the statewide average annual wage. The wage base was \$28,400 in 2001. For 2002 it will be \$29,300. Setting the wage base at the average annual wage results in approximately two-thirds of all wages being subject to unemployment insurance taxes. The *Total and Taxable Wages* table on page A-8, Appendix B shows the taxable wage bases and the proportions of wages taxed since 1970.

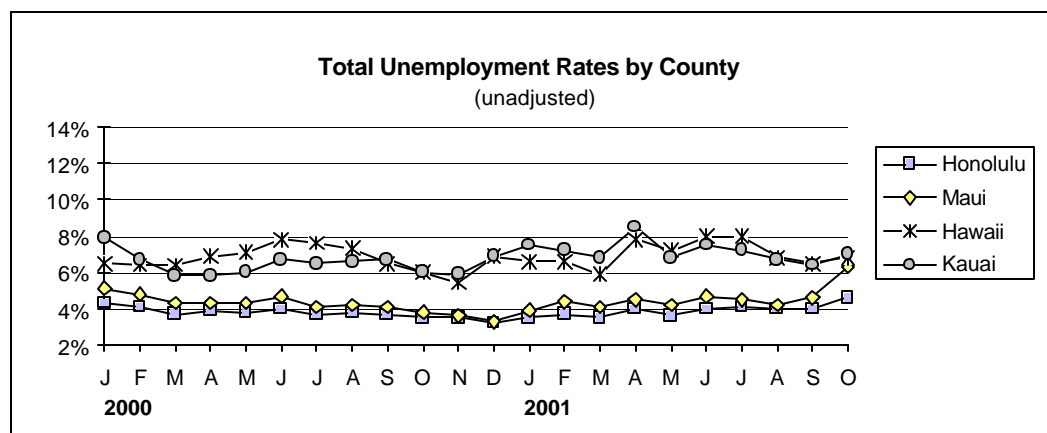
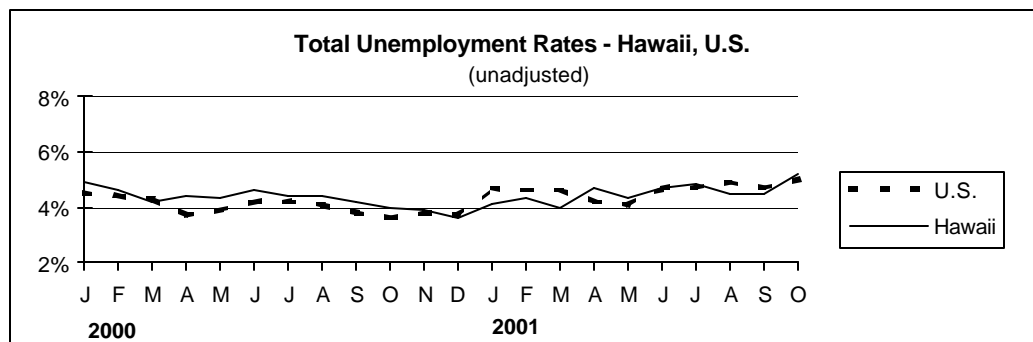
The new tax schedule system was designed to work with the currently defined taxable wage base. If the wage base is lowered, the tax schedules will produce lower levels of income than they were designed to produce.

ECONOMIC OUTLOOK

General Conditions and Outlook

The September 11 terrorist attacks on the country are taking their toll on already precarious national and Hawaii economies. The nation is in the midst of a recession, which began in March 2001. Following the terrorist attacks, there was a drop in air travel, unemployment claims soared, and the jobless rate climbed. For the first ten months of 2001, the national unemployment rate averaged 4.6%, up from the 2000 annual average rate of 4.0%. Hawaii's jobless rate for the first ten months of 2001 increased by 0.2 percentage points to 4.5% from an annual average of 4.3% in 2000. Hawaii's job picture was still showing improvement through October 2001 as our economy was still expanding before the terrorist attack. Total nonagricultural wage and salary jobs expanded by an average of 8,100 positions during the first ten months of 2001 as compared to the first ten months of 2000, bringing the count to 557,150. The two largest industries, services and trade, contributed most of the growth, increasing by about 2.0%.

Outlook: The national and Hawaii economies are expected to slowly recover during the year 2002. Because our state is dependent on tourism, the lingering uncertainty about the safety of commercial aviation and the willingness to travel, employment prospects, the impact of bioterrorism, and consumer confidence are all important factors that will have a strong impact on our economic future. Tourist related industries such as air and ground transportation, and hotels are anticipated to be down in the short-term future until visitor traffic accelerates.



Labor Force Data

(Historical data from 1970: Appendix B, page A-2)

Employment in Hawaii continued to report gains in 2001, averaging 577,230 for the first ten months of 2001 compared to an annual average of 569,900 for calendar year 2000.

Unemployment has grown from an average of 25,500 in 2000 to an average of 27,300 for the January through October 2001 period.

Hawaii's total unemployment rate (TUR), which averaged 4.3% in 2000, averaged 4.5% over the first ten months of 2001.

The total unemployment rate for the U.S. averaged 4.0% in 2000. It has increased to an average of 4.6% for the first ten months of 2001.

Projections for this publication assume the U.S. total unemployment rate will average 4.7% in 2001 and 5.2% in 2002, and Hawaii's TUR will average 4.6% in 2001 and 5.1% in 2002.

LABOR FORCE DATA

Unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i>
	Employment	Unemployment	Total Unemployment Rate	Total Unemployment Rate
1999	559,600	33,200	5.6%	4.2%
2000	569,900	25,500	4.3%	4.0%
2001				
Jan	573,950	24,850	4.1%	4.7%
Feb	574,750	25,650	4.3%	4.6%
Mar	576,250	24,100	4.0%	4.6%
Apr	574,900	28,550	4.7%	4.2%
May	572,400	25,650	4.3%	4.1%
Jun	580,600	28,900	4.7%	4.7%
Jul	583,650	29,250	4.8%	4.7%
Aug	581,800	27,200	4.5%	4.9%
Sep	577,700	27,200	4.5%	4.7%
Oct	576,300	31,700	5.2%	5.0%
<i>Projected</i>				
2001			4.6%	4.7%
2002			5.1%	5.2%

Insured Unemployment and Employment Covered by the Unemployment Compensation Fund

(Historical data from 1970: Appendix B, page A-3)

The average monthly number of employees covered by the Fund averaged 414,768 in 2000, increasing by three percent from 401,109 in 1999. Covered employees have averaged about 418,400 during the first half of 2001.

The insured unemployment rate (IUR), average weekly unemployment insurance claims as a percent of covered employees, was 2.7% as of November 2001, compared to the 2000 average of 1.7%. The average weekly number of claims filed under the regular state program was 8,413 in 2000. The number of weekly claims has grown to about 14,200 as of November 2001.

Projections for the IUR: average of 2.3% for 2001 and 3.5% for 2002.

INSURED UNEMPLOYMENT RATE AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered By the Fund
	Rate (IUR)	Average Weekly Claims*	
1999	2.2%	10,684	401,109
2000	1.7%	8,413	414,768
2001			
Jan	1.53%	7,896	416,232
Feb	1.61%	8,315	418,019
Mar	1.65%	8,508	420,594
Apr	1.73%	8,997	416,136
May	1.89%	9,811	418,110
Jun	1.96%	10,184	421,450
Jul	1.94%	10,159	
Aug	1.88%	9,864	
Sep	1.87%	9,781	
Oct	2.14%	11,289	
Nov	2.69%	14,155	
<i>Projected</i>			
2001	2.3%	11,800	
2002	3.5%	18,300	

*Monthly data are for the week containing the 12th of the month and are based on 13 week moving averages.

Weekly Benefit Amounts and Average Duration

(Historical data from 1970: Appendix B, page A-4)

The *maximum weekly benefit amount* payable to claimants will rise to \$395 for the year 2002—a \$12 increase from the \$383 maximum in 2001. Under Hawaii's law a new maximum weekly benefit amount is computed each year as 70% of the current statewide average weekly wage. Prior to 1992, the computation used 2/3 rather than 70%.

Average weekly benefits received by claimants increased from \$273 in 2000 to a \$284 12-month average for the period ending September 2001. A weekly benefit amount is computed for each claimant based on prior earnings. Average weekly benefits usually increase as earnings increase over time, but tend to increase faster when workers with higher wages experience more unemployment.

Claimants may receive up to the equivalent of 26 weeks of regular benefits at their computed weekly benefit amount. However many return to work before collecting this entire amount. The *average number of weeks of benefits* received per claimant was 14.7 weeks for the twelve-month period ending September 2001. The duration was declining from the 15.4 week average benefit duration in 2000. In the aftermath of the September 11 terrorist attacks, duration will probably begin to increase. Also, due to special legislation, State Additional Benefits equal to 13 times a claimant's weekly benefit amount will be available to claimants who exhaust their regular benefits between September 11, 2001 and June 30, 2002.

EXPERIENCE RATING

Description

Experience rating means that each employer's unemployment insurance tax rate is based on the employer's own benefit, contribution, and wage history. For each employer an account is kept of the amount of benefits paid to former employees and the amount of taxes paid into the Unemployment Compensation Fund. At the end of the year, a *reserve ratio* is computed for each employer and that reserve ratio determines the employer's tax rate for the coming year. Appendix A describes this procedure.

Charged and Noncharged Benefits

(Historical data from 1970: Appendix B, page A-9)

For experience rating purposes benefits paid to former employees are usually charged to the employers' individual accounts. However, under certain conditions where the employer may be considered not responsible for the claimant's unemployment, the benefits paid to that former employee is *not* charged to the employer's account. The conditions for noncharging are described in Appendix C. In 2000, 17% of all benefits paid were not charged to an individual employer account. Noncharged benefits are financed by Unemployment Compensation Fund interest income or by employers as a whole by triggering a higher tax schedule due to a lower fund balance.

2000 Employer Data

The following tables show 2000 employment, wage, benefit and contribution data for employers who contribute to the Unemployment Compensation Fund and for whom a tax rate was computed for calendar year 2001. Information on employers who were covered under the Hawaii unemployment insurance program during 2000, but were no longer covered as of January 1, 2001, are not included in these tables. Data are shown by reserve ratio, county, size of firm, and industry groups. The reserve ratio tables show 2000 data by reserve ratios as of the end of 2000. Also shown on those tables are the 2001 tax rates assigned to each reserve ratio group.

Twelve percent of all employers were in the highest reserve ratio group, with ratios of 0.1500 and over. These employers, the largest group of experience rated employers, were assigned the minimum 0.0% tax rate for 2001. Five percent of the employers were assigned the maximum 5.4% tax rate, most due to delinquent filing of tax reports. In general, employer reserve ratios improved, moving employers to lower tax rate (higher reserve ratio) groups for 2001 as compared to 2000.

Employer Data

2000 Employment and Wage Data by Reserve Ratio

Reserve Ratio <i>End of 2000</i>	2001 Tax Rate	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
.1500 and over	0.0%	3,295	12	26,124	6	761,727	6	465,729	6
.1400 to .1499	0.1%	1,148	4	18,185	4	487,265	4	331,869	4
.1300 to .1399	0.2%	1,645	6	23,746	6	689,286	6	448,736	6
.1200 to .1299	0.4%	1,805	6	50,406	12	1,574,020	13	1,031,426	13
.1100 to .1199	0.6%	1,628	6	55,080	13	1,729,944	15	1,141,352	14
.1000 to .1099	0.8%	1,553	6	35,442	9	956,761	8	677,407	8
.0900 to .0999	1.0%	2,796	10	43,548	11	1,203,729	10	864,401	11
.0800 to .0899	1.2%	1,646	6	33,898	8	863,370	7	624,145	8
.0700 to .0799	1.4%	1,794	6	28,375	7	781,434	7	531,623	7
.0600 to .0699	1.6%	1,146	4	21,841	5	601,131	5	429,035	5
.0500 to .0599	1.8%	538	2	13,948	3	352,200	3	266,460	3
.0300 to .0499	2.0%	635	2	10,399	3	281,233	2	202,498	2
.0000 to .0299	2.4%	616	2	9,912	2	266,749	2	197,054	2
-.0000 to -.0499	2.8%	537	2	5,841	1	186,753	2	126,822	2
-.0500 to -.0999	3.2%	324	1	3,787	1	112,429	1	81,886	1
-.1000 to -.4999	3.6%	842	3	9,000	2	368,358	3	236,209	3
-.5000 to -.9999	4.2%	242	1	4,105	1	183,441	2	114,239	1
-1.0000 to -1.4999	4.8%	95	0	786	0	33,280	0	20,968	0
-1.5000 to -1.9999	5.4%	38	0	518	0	24,996	0	16,015	0
-2.0000 and less	5.4%	87	0	247	0	7,956	0	5,357	0
New & Reactive	2.4%	4,379	16	12,047	3	297,514	3	228,525	3
N&R Neg Reserve	5.4%	213	1	251	0	5,153	0	4,493	0
Delinquent	5.4%	1,129	4	3,661	1	88,515	1	76,932	1
Total		28,131	100	411,146	100	11,857,245	100	8,123,180	100

2000 Benefit and Contribution Data by Reserve Ratio

Reserve Ratio <i>End of 2000</i>	2001 Tax Rate	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
.1500 and over	0.0%	646	601	1,247	1	0.3	2,305	2	0.5
.1400 to .1499	0.1%	498	442	940	1	0.3	2,112	2	0.6
.1300 to .1399	0.2%	586	511	1,097	1	0.2	3,617	3	0.8
.1200 to .1299	0.4%	2,482	1,367	3,849	5	0.4	9,427	7	0.9
.1100 to .1199	0.6%	2,406	1,310	3,716	4	0.3	12,640	9	1.1
.1000 to .1099	0.8%	2,349	1,259	3,608	4	0.5	8,818	7	1.3
.0900 to .0999	1.0%	3,165	1,513	4,678	6	0.5	14,485	11	1.7
.0800 to .0899	1.2%	2,578	1,234	3,812	5	0.6	11,929	9	1.9
.0700 to .0799	1.4%	2,644	1,197	3,841	5	0.7	10,211	8	1.9
.0600 to .0699	1.6%	2,934	2,082	5,017	6	1.2	8,800	7	2.1
.0500 to .0599	1.8%	2,616	769	3,385	4	1.3	5,960	4	2.2
.0300 to .0499	2.0%	3,211	566	3,777	4	1.9	5,110	4	2.5
.0000 to .0299	2.4%	5,426	590	6,016	7	3.1	5,528	4	2.8
-.0000 to -.0499	2.8%	4,657	459	5,116	6	4.0	4,267	3	3.4
-.0500 to -.0999	3.2%	3,501	241	3,741	4	4.6	3,206	2	3.9
-.1000 to -.4999	3.6%	13,400	449	13,848	16	5.9	10,479	8	4.4
-.5000 to -.9999	4.2%	8,264	221	8,485	10	7.4	5,784	4	5.1
-1.0000 to -1.4999	4.8%	2,234	26	2,260	3	10.8	1,093	1	5.2
-1.5000 to -1.9999	5.4%	2,586	53	2,639	3	16.5	864	1	5.4
-2.0000 and less	5.4%	741	48	789	1	14.7	280	0	5.2
New & Reactive	2.4%	225	58	283	0	0.1	6,737	5	2.9
N&R Neg Reserve	5.4%	319	12	331	0	7.4	209	0	4.7
Delinquent	5.4%	1,885	177	2,062	2	2.7	941	1	1.2
Total		69,354	15,184	84,538	100	1.0	134,801	100	1.7

* Cost Rate: Total Benefits divided by Taxable Wages

Tax Rate: Contributions divided by Taxable Wages

2000 Employment and Wage Data by County

County	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Oahu	17,146	61	238,749	58	6,871,695	58	4,662,373	57
Maui	3,117	11	34,440	8	890,014	8	677,557	8
Hawaii	3,099	11	32,836	8	822,743	7	630,166	8
Kauai	1,378	5	14,876	4	355,083	3	277,541	3
Interstate	3,391	12	90,246	22	2,917,710	25	1,875,542	23
Total	28,131	100	411,146	100	11,857,245	100	8,123,180	100

2000 Benefit and Contribution Data by County

County	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Oahu	40,805	8,845	49,649	59	1.1	73,985	55	1.6
Maui	5,264	1,292	6,556	8	1.0	12,502	9	1.8
Hawaii	7,243	1,216	8,459	10	1.3	12,158	9	1.9
Kauai	3,249	598	3,846	5	1.4	5,707	4	2.1
Interstate	12,794	3,234	16,028	19	0.9	30,450	23	1.6
Total	69,354	15,184	84,538	100	1.0	134,801	100	1.7

* Cost Rate: Total Benefits divided by Taxable Wages
Tax Rate: Contributions divided by Taxable Wages

2000 Employment and Wage Data by Size of Firm

Employment Size	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Less than 5	17,438	62	30,591	7	920,343	8	608,260	7
5 to 9	4,524	16	31,576	8	868,687	7	588,905	7
10 to 19	2,925	10	40,746	10	1,161,797	10	774,897	10
20 to 49	1,939	7	59,505	14	1,681,293	14	1,167,811	14
50 to 99	689	2	47,845	12	1,414,967	12	967,007	12
100 to 249	408	1	61,189	15	1,734,591	15	1,198,090	15
250 or more	208	1	139,694	34	4,075,568	34	2,818,211	35
Total	28,131	100	411,146	100	11,857,245	100	8,123,180	100

2000 Benefit and Contribution Data by Size of Firm

Employment Size	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Less than 5	8,897	1,187	10,083	12	1.7	11,256	8	1.9
5 to 9	5,679	1,018	6,697	8	1.1	10,412	8	1.8
10 to 19	9,062	1,365	10,428	12	1.3	14,050	10	1.8
20 to 49	12,889	2,456	15,345	18	1.3	22,799	17	2.0
50 to 99	8,987	2,117	11,104	13	1.1	17,525	13	1.8
100 to 249	10,042	2,259	12,301	15	1.0	20,851	15	1.7
250 or more	13,799	4,782	18,581	22	0.7	37,908	28	1.3
Total	69,354	15,184	84,538	100	1.0	134,801	100	1.7

* Cost Rate: Total Benefits divided by Taxable Wages

Tax Rate: Contributions divided by Taxable Wages

2000 Employment and Wage Data by Industry

Industry	Number of Employers	% of Total	Employment	% of Total	Total Wages \$000	% of Total	Taxable Wages \$000	% of Total
Agriculture	737	3	11,872	3	305,904	3	242,658	3
Construction, Mining	2,481	9	23,388	6	1,070,005	9	667,501	8
Manufacturing	966	3	17,152	4	587,738	5	367,171	5
Transportation, Communication, Utilities	1,368	5	41,746	10	1,604,492	14	957,253	12
Wholesale Trade	2,267	8	21,015	5	729,827	6	469,404	6
Retail Trade	5,382	19	113,484	28	2,084,654	18	1,702,390	21
Finance, Insurance, Real Estate	3,265	12	32,460	8	1,236,827	10	747,285	9
Services	10,349	37	149,355	36	4,211,348	36	2,954,819	36
Other	1,316	5	674	0	26,449	0	14,697	0
Total	28,131	100	411,146	100	11,857,245	100	8,123,180	100

2000 Benefit and Contribution Data by Industry

Industry	Benefits Charged \$000	Benefits Noncharged \$000	Total Benefits \$000	% of Total	Cost Rate* %	Contributions \$000	% of Total	Tax Rate* %
Agriculture	6,229	423	6,652	8	2.7	5,077	4	2.1
Construction, Mining	26,590	1,375	27,965	33	4.2	24,816	18	3.7
Manufacturing	2,916	487	3,404	4	0.9	5,792	4	1.6
Transportation, Communication, Utilities	3,904	2,258	6,162	7	0.6	12,510	9	1.3
Wholesale Trade	2,007	679	2,687	3	0.6	6,517	5	1.4
Retail Trade	6,324	3,310	9,633	11	0.6	22,377	17	1.3
Finance, Insurance, Real Estate	4,245	1,427	5,672	7	0.8	10,029	7	1.3
Services	17,096	5,211	22,307	26	0.8	47,292	35	1.6
Other	42	14	56	0	0.4	393	0	2.7
Total	69,354	15,184	84,538	100	1.0	134,801	100	1.7

* Cost Rate: Total Benefits divided by Taxable Wages
Tax Rate: Contributions divided by Taxable Wages

APPENDIXES

APPENDIX A

Computation of Employer Contribution Rates

An employer's Hawaii unemployment insurance tax rate is computed once a year based on the employer's reserve ratio and the tax schedule (one of eight possible schedules, A through H) in effect for the year. The tax rates corresponding to each tax schedule and reserve ratio group are shown below in the **Contribution Rate Schedules** table.

Employers not chargeable with benefits for the 12-month period prior to the rate computation date are ineligible for an experience (reserve ratio) computation and are assigned the tax rate corresponding to a zero reserve ratio; if the ineligible employer has a negative reserve balance, a rate of 5.4% is assigned.

Computation of Employer Reserve Ratio:

Reserve Ratio = all contributions paid by the employer minus all benefits charged to the employer, divided by 1/3 of the sum of the employer's taxable payrolls for the last 3 consecutive calendar years.

Determination of Tax Schedule:

- (a) Compute Adequate Reserve:

Adequate Reserve = 1.5 times highest benefit cost rate occurring during the last 10 years, times total wages for last completed fiscal year ending June 30.

Benefit cost rate = total benefits paid during a 12 consecutive month period, divided by total wages for the last 4 completed calendar quarters ending at least 5 months before the end of the 12 consecutive month period.

- (b) Compute ratio of Current Reserve to Adequate Reserve:

Ratio = Current Reserve (Unemployment Compensation Fund balance as of November 30) divided by Adequate Reserve.

- (c) Determine Tax Schedule based on ratio of current to adequate reserve as shown below.

Contribution Rate Schedules									Tax Schedule Computation	
	A	B	C	D	E	F	G	H		
Reserve Ratio	Contribution Rates (%)								Ratio of Current to Adequate Reserve	Tax Schedule
.1500 and over	0.0	0.0	0.0	0.2	0.6	1.2	1.8	2.4	More than 1.69	A
.1400 to .1499	0.0	0.0	0.1	0.4	0.8	1.4	2.0	2.6		
.1300 to .1399	0.0	0.0	0.2	0.6	1.0	1.6	2.2	2.8	1.3 to 1.69	B
.1200 to .1299	0.0	0.1	0.4	0.8	1.2	1.8	2.4	3.0	1.0 to 1.29	C
.1100 to .1199	0.0	0.2	0.6	1.0	1.4	2.0	2.6	3.2	0.80 to 0.99	D
.1000 to .1099	0.1	0.3	0.8	1.2	1.6	2.2	2.8	3.4	0.60 to 0.79	E
.0900 to .0999	0.3	0.5	1.0	1.4	1.8	2.4	3.0	3.6	0.40 to 0.59	F
.0800 to .0899	0.5	0.7	1.2	1.6	2.0	2.6	3.2	3.8	0.20 to 0.39	G
.0700 to .0799	0.7	0.9	1.4	1.8	2.2	2.8	3.4	4.0	Less than 0.20	H
.0600 to .0699	0.9	1.1	1.6	2.0	2.4	3.0	3.6	4.2		
.0500 to .0599	1.1	1.3	1.8	2.2	2.6	3.2	3.8	4.4		
.0300 to .0499	1.3	1.5	2.0	2.6	3.0	3.6	4.2	4.8		
.0000 to .0299	1.7	1.9	2.4	3.0	3.4	4.0	4.6	5.2		
-.0000 to -.0499	2.1	2.3	2.8	3.4	3.8	4.4	5.0	5.4		
-.0500 to -.0999	2.5	2.7	3.2	4.0	4.4	5.0	5.4	5.4		
-.1000 to -.4999	2.9	3.1	3.6	4.6	5.0	5.4	5.4	5.4		
-.5000 to -.9999	3.4	3.6	4.2	5.2	5.4	5.4	5.4	5.4		
-1.0000 to -1.4999	4.1	4.2	4.8	5.4	5.4	5.4	5.4	5.4		
-1.5000 to -1.9999	4.7	4.8	5.4	5.4	5.4	5.4	5.4	5.4		

-2.0000 and less	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4
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APPENDIX B

Annual Data from 1970

LABOR FORCE DATA

unadjusted

Year	<i>Hawaii</i>			<i>U.S.</i>
	Employment	Unemployment	Total Unemployment Rate	Total Unemployment Rate
1970	305,650	15,900	4.9%	4.9%
1971	313,450	23,350	6.9%	5.9%
1972	324,050	26,950	7.7%	5.6%
1973	338,350	26,250	7.2%	4.9%
1974	345,350	29,650	7.9%	5.6%
1975	351,100	31,850	8.3%	8.5%
1976	370,000	40,000	9.8%	7.7%
1977	388,000	31,000	7.3%	7.1%
1978	388,000	32,000	7.7%	6.1%
1979	395,000	26,000	6.3%	5.8%
1980	418,000	21,000	4.9%	7.1%
1981	427,000	24,000	5.4%	7.6%
1982	430,000	31,000	6.7%	9.7%
1983	442,000	30,000	6.5%	9.6%
1984	445,000	27,000	5.6%	7.5%
1985	452,000	27,000	5.6%	7.2%
1986	468,000	24,000	4.8%	7.0%
1987	494,000	20,000	3.8%	6.2%
1988	502,000	16,000	3.1%	5.5%
1989	511,000	13,000	2.5%	5.3%
1990	527,000	15,000	2.8%	5.6%
1991	557,750	16,000	2.8%	6.8%
1992	557,450	26,650	4.6%	7.5%
1993	560,900	25,100	4.3%	6.9%
1994	545,000	35,150	6.1%	6.1%
1995	542,650	33,800	5.9%	5.6%
1996	555,750	37,850	6.4%	5.4%
1997	556,650	38,050	6.4%	4.9%
1998	557,200	37,150	6.2%	4.5%
1999	559,600	33,200	5.6%	4.2%
2000	569,900	25,500	4.3%	4.0%

Source: Labor Force Data Book

APPENDIX B continued

INSURED UNEMPLOYMENT AND EMPLOYMENT COVERED BY THE UC FUND

Year	Insured Unemployment		Employees Covered by the Fund	
	<i>Rate</i>	<i>Average Weekly Claims</i>	<i>Number</i>	<i>% change</i>
1970	2.4%	6,124	221,498	
1971	3.9%	10,789	225,633	2%
1972	4.8%	12,737	231,338	3%
1973	3.7%	10,527	246,201	6%
1974	4.2%	12,443	252,421	3%
1975	5.2%	16,939	255,772	1%
1976	6.3%	19,427	258,485	1%
1977	4.7%	14,998	267,018	3%
1978	3.4%	10,569	285,172	7%
1979	2.7%	9,798	302,404	6%
1980	2.9%	10,740	309,424	2%
1981	3.0%	11,681	311,997	1%
1982	3.5%	13,411	306,395	-2%
1983	3.5%	12,919	309,752	1%
1984	2.9%	11,104	317,669	3%
1985	2.6%	9,696	328,268	3%
1986	2.2%	8,548	337,832	3%
1987	1.7%	7,045	358,801	6%
1988	1.5%	6,452	371,952	4%
1989	1.1%	5,041	393,693	6%
1990	1.1%	5,547	416,341	6%
1991	1.5%	7,909	415,883	0%
1992	2.2%	11,520	415,275	0%
1993	2.5%	12,721	409,338	-1%
1994	2.9%	14,752	406,316	-1%
1995	3.0%	15,324	402,645	-1%
1996	3.0%	14,854	401,001	0%
1997	2.7%	13,356	400,817	0%
1998	2.5%	12,605	398,354	-1%
1999	2.2%	10,684	401,109	1%
2000	1.7%	8,413	414,768	3%

Source: Unemployment Insurance Fact Book

Note: Insured unemployment data includes private industry, state and county governments, and nonprofit organizations; it also includes extended benefits for 1971, 1972, 1975 through 1978, and 1980. Employment data is for private industry only.

APPENDIX B continued

WEEKLY BENEFIT AMOUNT AND AVERAGE DURATION

Year	Weekly Benefit Amount		Average Benefit Duration (weeks)
	<i>Maximum</i>	<i>Average</i>	
1970	\$79	\$58	15.0
1971	\$86	\$63	18.3
1972	\$90	\$66	19.9
1973	\$93	\$68	16.0
1974	\$98	\$72	16.2
1975	\$104	\$76	16.4
1976	\$112	\$84	18.9
1977	\$120	\$89	16.4
1978	\$126	\$91	16.2
1979	\$134	\$93	13.5
1980	\$144	\$103	13.7
1981	\$157	\$114	14.2
1982	\$169	\$124	14.8
1983	\$178	\$123	15.8
1984	\$188	\$136	14.8
1985	\$194	\$134	14.6
1986	\$200	\$140	14.3
1987	\$212	\$150	13.4
1988	\$223	\$162	13.5
1989	\$239	\$170	12.0
1990	\$256	\$189	11.4
1991	\$275	\$206	13.0
1992	\$306	\$235	14.8
1993	\$322	\$246	17.6
1994	\$337	\$259	17.4
1995	\$344	\$262	16.0
1996	\$347	\$261	17.8
1997	\$351	\$259	17.1
1998	\$356	\$258	16.4
1999	\$364	\$266	16.5
2000	\$371	\$273	15.4
2001	\$383		
2002	\$395		

Source: Unemployment Insurance Fact Book

Note: Data are for all claim programs, including federal programs.

APPENDIX B continued

HAWAII UNEMPLOYMENT COMPENSATION FUND

(in millions of \$)

Year	Taxes	Interest	Benefits	Fund Balance
1970	\$13.6	\$ 2.1	\$14.7	\$44.1
1971	\$15.3	\$ 2.1	\$28.3	\$33.3
1972	\$22.0	\$ 1.4	\$30.9	\$25.8
1973	\$24.6	\$ 1.2	\$26.7	\$25.0
1974	\$26.5	\$ 1.1	\$35.3	\$17.3
1975	\$39.4	\$ 0.7	\$52.0	\$ 5.3
1976	\$48.8	\$ 0.1	\$66.1	-\$11.9
1977	\$63.3	\$ 0.0	\$50.2	\$ 1.3
1978	\$73.6	\$ 0.6	\$38.3	\$37.2
1979	\$68.9	\$ 3.3	\$31.4	\$78.0
1980	\$58.2	\$ 7.0	\$42.6	\$100.6
1981	\$53.4	\$ 9.9	\$57.5	\$106.3
1982	\$54.9	\$11.5	\$71.1	\$101.6
1983	\$70.9	\$11.5	\$61.0	\$123.0
1984	\$67.8	\$13.4	\$63.4	\$140.9
1985	\$60.2	\$15.7	\$54.3	\$162.5
1986	\$65.4	\$12.9	\$49.3	\$191.5
1987	\$75.1	\$24.0	\$42.6	\$248.0
1988	\$51.3	\$22.5	\$44.2	\$277.7
1989	\$64.0	\$25.6	\$35.4	\$331.9
1990	\$79.5	\$31.3	\$45.0	\$397.7
1991	\$55.2	\$26.8	\$76.0	\$403.8
1992	\$40.9	\$41.7	\$129.6	\$356.7
1993	\$67.0	\$25.5	\$145.4	\$303.9
1994	\$77.0	\$19.6	\$171.6	\$228.9
1995	\$150.0	\$15.7	\$180.4	\$214.2
1996	\$152.4	\$14.9	\$173.3	\$208.2
1997	\$144.2	\$14.7	\$154.2	\$212.9
1998	\$136.8	\$15.1	\$143.3	\$221.5
1999	\$134.1	\$15.7	\$124.1	\$247.2
2000	\$138.9	\$17.8	\$96.9	\$307.0

Source: ETA2112, UI Financial Transaction Summary, Unemployment Fund

APPENDIX B continued

RATIO OF CURRENT TO ADEQUATE RESERVE FUND

Rate Year	High Cost Rate	Total Wages	Adequate Reserve Fund	Current Reserve Fund	Ratio of Current to Adequate Reserve	Rate Schedule in Effect	Fund Solvency Contribution Rate
1970	1.75%	\$1,184,552,472	\$31,094,502	\$43,936,906	1.41	II	
1971	1.75%	\$1,431,300,051	\$37,571,626	\$46,163,790	1.23	II	
1972	1.75%	\$1,560,306,438	\$40,958,044	\$36,349,934	0.89	I	
1973	2.02%	\$1,643,467,385	\$49,797,062	\$28,304,965	0.57	I	
1974	2.02%	\$1,821,684,864	\$55,197,051	\$27,420,364	0.50	I	
1975	2.02%	\$2,015,606,435	\$61,072,875	\$20,073,147	0.33	I	
1976	2.18%	\$2,247,956,108	\$73,508,165	\$10,730,152	0.15	-	
1977	2.86%	\$2,389,822,190	\$102,523,372	-\$7,426,119	-0.07	-	
1978	2.86%	\$2,578,562,218	\$110,620,319	\$5,992,114	0.05	-	
1979	2.86%	\$2,859,429,314	\$81,779,678	\$39,159,914	0.48		+1.6%
1980	2.86%	\$3,314,556,620	\$94,796,319	\$80,341,186	0.85		+0.8%
1981	2.86%	\$3,769,977,490	\$107,821,356	\$104,980,243	0.97		+0.4%
1982	2.86%	\$4,111,362,943	\$117,584,980	\$112,290,817	0.95		+0.4%
1983	2.86%	\$4,292,985,503	\$122,779,385	\$106,708,377	0.87		+0.8%
1984	2.86%	\$4,498,499,775	\$128,657,094	\$127,176,245	0.99		+0.4%
1985	2.86%	\$4,801,506,793	\$137,323,094	\$147,004,681	1.07		0.0%
1986	2.86%	\$5,037,888,349	\$144,083,607	\$166,408,163	1.15		0.0%
1987	2.76%	\$5,500,278,375	\$151,807,683	\$195,095,469	1.29		0.0%
1988	1.94%	\$6,093,516,291	\$118,214,216	\$246,416,114	2.08		-0.5%
1989	1.68%	\$6,864,348,520	\$115,321,055	\$274,840,914	2.38		-0.5%
1990	1.68%	\$7,756,988,055	\$130,317,399	\$334,252,180	2.56		-0.5%
1991	1.68%	\$8,753,700,993	\$147,062,177	\$401,647,674	2.73		-0.5%
1992	1.68%	\$9,561,673,898	\$240,954,182	\$411,119,192	1.71	A	
1993	1.66%	\$9,996,218,073	\$248,905,830	\$370,277,128	1.49	B	
1994	1.49%	\$10,315,548,416	\$230,552,507	\$315,881,780	1.37	B	
1995	1.65%	\$10,384,936,463	\$257,027,177	\$241,892,817	0.94	D	
1996	1.73%	\$10,401,361,958	\$269,915,343	\$226,972,601	0.84	D	
1997	1.78%	\$10,391,160,430	\$277,443,983	\$222,340,367	0.80	D	
1998	1.78%	\$10,554,781,603	\$281,812,669	\$226,036,037	0.80	D	
1999	1.78%	\$10,782,123,532	\$287,882,698	\$233,020,224	0.81	D	
2000	1.78%	\$11,025,705,500	\$294,386,337	\$256,407,449	0.87	D	
2001	1.78%	\$11,661,028,670	\$311,349,465	\$313,480,166	1.01	C	
2002	1.78%	\$12,294,711,901	\$328,268,808	\$317,703,649	0.97	C*	

Rate year: year during which rate schedule or Fund Solvency Rate is in effect.

High Cost Rate: highest benefit cost rate (benefits as a percent of total wages) in the last ten years.

Total Wages: for last four calendar quarters ending June 30 of calendar year prior to rate year.

Adequate Reserve Fund: from 1970 through 1978, and from 1992 adequate reserve equals 1.5 times high cost rate times total wages. From 1979 through 1991, adequate reserve equals high cost rate times total wages.

Current Reserve Fund: Unemployment Compensation Fund assets on November 30 of calendar year immediately preceding rate year.

Rate Schedule in Effect Effective July 1, 1974 through March 31, 1975 all employers' tax rates were increased by 0.5%, up to a maximum of 3.0%; from April 1975 through the end of 1976, all employers paid 3.0% tax rate; for 1977 and 1978 all employers paid 3.5% tax rate. *For 2002, schedule C remained in effect due to special legislation.

APPENDIX B continued

UNEMPLOYMENT INSURANCE TAX RATES

Year	Tax Rates (Percent of Taxable Wages)			Taxes as a Percent of Total Wages
	<i>Minimum</i>	<i>Maximum</i>	<i>Average</i>	
1970	0.4%	3.0%	1.2%	0.8%
1971	0.4%	3.0%	1.4%	1.0%
1972	0.8%	3.0%	1.9%	1.3%
1973	0.8%	3.0%	1.8%	1.2%
1974	0.8%/1.3%	3.0%	1.9%	1.2%
1975	1.3%/3.0%	3.0%	2.6%	1.7%
1976	3.0%	3.0%	2.9%	1.9%
1977	3.5%	3.5%	3.5%	2.4%
1978	3.5%	3.5%	3.5%	2.4%
1979	1.8%	4.5%	2.8%	1.9%
1980	1.0%	4.5%	2.1%	1.4%
1981	0.6%	4.5%	1.8%	1.2%
1982	0.6%	4.5%	1.8%	1.3%
1983	1.0%	4.5%	2.3%	1.6%
1984	0.6%	4.5%	1.9%	1.3%
1985	0.2%	5.4%	1.6%	1.1%
1986	0.2%	5.4%	1.7%	1.2%
1987	0.2%	5.4%	1.7%	1.2%
1988	0.0%	5.4%	1.3%	0.6%
1989	0.0%	5.4%	1.3%	0.9%
1990	0.0%	5.4%	1.3%	0.9%
1991	0.0%	5.4%	1.3%	0.5%
1992	0.0%	5.4%	0.6%	0.4%
1993	0.0%	5.4%	1.0%	0.7%
1994	0.0%	5.4%	1.1%	0.8%
1995	0.2%	5.4%	2.2%	1.6%
1996	0.2%	5.4%	2.1%	1.5%
1997	0.2%	5.4%	1.9%	1.4%
1998	0.2%	5.4%	1.8%	1.3%
1999	0.2%	5.4%	1.7%	1.2%
2000	0.2%	5.4%	1.7%	1.2%
2001	0.0%	5.4%	1.2% <i>est</i>	0.8% <i>est</i>
2002	0.0%	5.4%	1.2% <i>est</i>	0.8% <i>est</i>

Source: ES-202

Note for 1974 and 1975: Minimum tax rate was 0.8% until July 1, 1974 then all employers' rates were increased by 0.5%, up to a maximum of 3.0%. The additional 0.5% was in effect until April 1, 1975 when all employers' rates became 3.0%.

Note for 2002: Tax Schedule C remained in effect by special legislation.

APPENDIX B continued

TOTAL AND TAXABLE WAGES

Year	Total Wages	% change	Taxable Wages	% change	% Taxable of Total Wages	Taxable Wage Base
1970	\$1,518,727,161		\$1,032,646,028		68%	\$5,500
1971	\$1,588,451,281	5%	\$1,101,177,779	7%	69%	\$6,000
1972	\$1,707,659,488	8%	\$1,171,863,417	6%	69%	\$6,300
1973	\$1,935,415,073	13%	\$1,310,016,575	12%	68%	\$6,500
1974	\$2,129,778,886	10%	\$1,418,777,880	8%	67%	\$6,800
1975	\$2,319,971,771	9%	\$1,537,695,558	8%	66%	\$7,300
1976	\$2,471,414,660	7%	\$1,634,221,510	6%	66%	\$7,800
1977	\$2,669,873,342	8%	\$1,890,965,749	16%	71%	\$9,300
1978	\$3,084,161,546	16%	\$2,153,653,091	14%	70%	\$9,800
1979	\$3,551,357,801	15%	\$2,443,433,910	13%	69%	\$10,400
1980	\$3,934,930,405	11%	\$2,689,241,050	10%	68%	\$11,200
1981	\$4,227,065,294	7%	\$2,921,073,895	9%	69%	\$12,200
1982	\$4,349,032,222	3%	\$3,030,663,748	4%	70%	\$13,100
1983	\$4,599,981,090	6%	\$3,198,088,181	6%	70%	\$13,800
1984	\$4,891,168,412	6%	\$3,430,347,509	7%	70%	\$14,600
1985	\$5,245,375,308	7%	\$3,661,947,705	7%	70%	\$15,100
1986	\$5,686,112,648	8%	\$3,922,702,338	7%	69%	\$15,600
1987	\$6,402,054,956	13%	\$4,391,057,014	12%	69%	\$16,500
1988	\$7,192,157,365	12%	\$3,314,009,708	-25%	46%	\$8,700
1989	\$8,130,492,059	13%	\$5,518,167,643	67%	68%	\$18,600
1990	\$9,237,628,172	14%	\$6,226,942,266	13%	67%	\$19,900
1991	\$9,599,527,870	4%	\$3,342,374,834	-46%	35%	\$7,000
1992	\$10,155,519,160	6%	\$7,042,429,428	111%	69%	\$22,700
1993	\$10,291,898,574	1%	\$7,251,815,678	3%	70%	\$23,900
1994	\$10,309,424,610	0%	\$7,394,972,486	2%	72%	\$25,000
1995	\$10,320,158,899	0%	\$7,411,024,845	0%	72%	\$25,500
1996	\$10,443,561,580	1%	\$7,420,054,226	0%	71%	\$25,800
1997	\$10,675,517,263	2%	\$7,483,098,627	1%	70%	\$26,000
1998	\$10,899,921,524	2%	\$7,560,072,702	1%	69%	\$26,400
1999	\$11,180,959,288	3%	\$7,748,893,876	2%	69%	\$27,000
2000	\$11,945,344,421	7%	\$8,209,730,134	6%	69%	\$27,500
2001						\$28,400
2002						\$29,300

Source: Wages from ES-202

APPENDIX B continued

CHARGED AND NONCHARGED BENEFITS

(in millions of \$)

Year	Total Benefits	Charged Benefits	% of Total	Noncharged Benefits	% of Total
1970	\$14.7	\$8.8	60%	\$5.9	40%
1971	\$27.9	\$18.2	65%	\$9.7	35%
1972	\$28.0	\$18.2	65%	\$9.8	35%
1973	\$26.3	\$15.7	60%	\$10.6	40%
1974	\$34.9	\$21.3	61%	\$13.7	39%
1975	\$47.0	\$30.1	64%	\$16.8	36%
1976	\$57.5	\$43.1	75%	\$14.4	25%
1977	\$45.1	\$44.3	98%	\$0.9	2%
1978	\$36.0	\$35.6	99%	\$0.4	1%
1979	\$30.5	\$30.2	99%	\$0.3	1%
1980	\$40.7	\$40.2	99%	\$0.5	1%
1981	\$56.7	\$56.1	99%	\$0.6	1%
1982	\$70.5	\$69.9	99%	\$0.6	1%
1983	\$60.9	\$59.7	98%	\$1.2	2%
1984	\$62.4	\$61.8	99%	\$0.6	1%
1985	\$53.9	\$53.4	99%	\$0.5	1%
1986	\$48.4	\$47.8	99%	\$0.6	1%
1987	\$43.6	\$36.6	84%	\$7.0	16%
1988	\$44.1	\$35.3	80%	\$8.8	20%
1989	\$35.4	\$26.9	76%	\$8.5	24%
1990	\$44.2	\$30.9	70%	\$13.3	30%
1991	\$76.5	\$56.6	74%	\$19.9	26%
1992	\$129.1	\$101.7	79%	\$27.4	21%
1993	\$144.8	\$105.9	73%	\$38.9	27%
1994	\$170.5	\$137.9	81%	\$32.6	19%
1995	\$178.9	\$148.0	83%	\$30.9	17%
1996	\$171.7	\$145.5	85%	\$26.2	15%
1997	\$153.8	\$131.5	85%	\$22.3	15%
1998	\$142.4	\$121.9	86%	\$20.5	14%
1999	\$123.2	\$104.4	85%	\$18.8	15%
2000	\$96.1	\$79.6	83%	\$16.4	17%

Source: ETA-204, Experience Rating Report

Includes regular program benefits only; does not include extended benefits

APPENDIX C

Benefits Not Charged to Employer Accounts

The following types of unemployment insurance benefits are not charged to individual employer's unemployment insurance accounts:

- a. Benefits paid to a claimant based on wages from an employer from whom the claimant voluntarily quit work without good cause¹;
- b. Benefits paid to a claimant based on wages from an employer from whom the claimant was discharged for misconduct connected with work;
- c. Benefits paid to a claimant based on wages from an employer from whom the claimant left work voluntarily for a good cause that was not attributable to the employer;
- d. Benefits paid to an individual who during that individual's base period earned wages for part-time employment with an employer, are not charged to that employer if the employer continues to employ the individual to the same extent while the individual is receiving benefits as during the individual's base period;
- e. Benefits paid to an individual for the period that individual is enrolled in and is in regular attendance at an approved training course;
- f. One-half of Extended Benefits (the other half of EB is financed with federal unemployment tax funds)²;
- g. Benefits paid to an individual who qualifies to receive benefits by meeting the minimum earnings and employment requirements only by combining the individual's employment and wages earned in two or more states³;
- h. Benefits overpaid to a claimant as a result of ineligibility or disqualification, unless the overpayment resulted from the employer's failure to furnish information as required;
- i. Benefits paid to an individual based on wages from an employer from whom the individual is separated as a direct result of a major disaster.⁴

¹Benefits described in a, b, and c were chargeable from July 15, 1976 through October 4, 1986.

²EB was chargeable from January 1, 1985 through October 4, 1986.

³Benefits described in g and h became nonchargeable from July 15, 1976.

⁴Effective from September 13, 1992.

APPENDIX D

The Hawaii Unemployment Compensation Fund and Economic Conditions: 1970 to the Present

- 1970** The 1970s began with a low IUR (Insured Unemployment Rate) of slightly above 2% and high fund reserves in excess of \$40 million.
- 1971** Unemployment increased throughout 1971 in the aftermath of the Mainland recession, and due partly to a lengthy dock strike in the second half of the year. The Extended Benefits program was initiated allowing an additional 13 weeks of unemployment insurance benefits to be paid to claimants who exhaust their 26 weeks of regular benefits during periods of high unemployment. Hawaii paid extended benefits from October 1971 through December 1972. Increasing unemployment and additional benefits paid out under the Extended Benefits program caused benefit outgo to increase and the fund balance to decline.
- 1972** The fund continued to decline as additional dock strikes and continuing Extended Benefits payments caused benefit outgo to remain high.
- 1973** Unemployment decreased slightly causing the fund balance to remain relatively level.
- 1974** The IUR began to climb again as Mainland recessionary conditions started affecting Hawaii.
- 1975** Hawaii began a new Extended Benefits period beginning in February 1975 as unemployment continued to increase. This EB period continued until March 1978 (except for a short break in the program during August 1977).
- 1976** The IUR reached a peak of 7% in the first half of 1976. During the 1974 through 1976 period the fund balance was drastically reduced by the unprecedented high level of unemployment and corresponding high benefit outgos. The fund was depleted in 1976. Benefits continued to be paid during the year through the use of \$22.5 million in federal loans to the fund.
- 1977** The economy began to improve slightly, although construction strikes caused unemployment to temporarily increase at the end of 1977 and early 1978. In order to rejuvenate the fund, tax rates, which had been gradually increasing during the 1970s, were set at a uniform rate of 3.5% for 1977.
- 1978** The flat 3.5% tax rate continued to be in effect. As the economy improved, the IUR steadily declined until it leveled off at about 3% during the second half of the year. With the increased income and declining outgo, the fund balance was brought out of its negative levels and the federal loan was repaid late in 1978.
- 1979** Varied tax rates for employers (experience rating) was reinstituted; this caused fund income to decline slightly from the high 1978 level. Benefits remained relatively low, resulting in a further increase in the fund balance to \$78 million by the end of 1979.
- 1980** Employer tax rates were again decreased based on the healthy fund reserves. Although Hawaii's unemployment remained low, an Extended Benefits period was triggered on by high national unemployment. This EB period was from July 1980 to January 1981. Fund income exceeded outgo and reserves reached \$100.6 million by the end of 1980.
- 1981-1984** Unemployment was very stable with the IUR fluctuating only between 2.5% and 3.5%, weathering airline, construction, and other strikes occurring during this time. The fund balance was kept at about the adequate reserve level throughout the period

APPENDIX D continued

1985 Tax schedules were adjusted to include a maximum tax rate of 5.4% in order to allow employers to continue to receive full tax credits under the Federal Unemployment Tax Act (FUTA).

1986-1987

The tourism and construction industries were in a boom period resulting in declining unemployment and a growing fund balance.

1988 The high fund balance resulted in the triggering of a negative Fund Solvency Rate for the first time. Also, a one-year special law provision cut the Taxable Wage Base to 50% of the statewide average annual wage.

1989 Unemployment continued to decline with the IUR reaching an all time low of 0.96% in December 1989. The fund continued to be more than twice the adequate reserve level allowing the negative 0.5% Fund Solvency Rate to remain in effect.

1990 Despite Mainland recessionary conditions, Hawaii tourism and construction continued to do well through 1990. Although a hotel strike during March caused a temporary rise in unemployment, the average IUR for the year remained level with 1989.

1991 The Persian Gulf War triggered a slowdown in March as tourist traffic declined dramatically and unemployment jumped. Mainland recessionary conditions began affecting Hawaii's economy as unemployment remained high through the year especially in the construction and tourism related industries. A one-year special provision cut the taxable wage base to \$7,000.

1992 A new tax schedule system was implemented and the lowest tax schedule (A) was in effect for 1992. Hurricane Iniki hit the islands in September 1992 resulting in major damage and high unemployment on Kauai. Mainland and Japanese recessionary conditions continued to weaken the tourist and construction sectors. The end of year fund balance declined from the previous year for the first time since 1982. Emergency Unemployment Compensation (EUC) benefits were paid to claimants from November 1991 through April 1994. These benefits, paid to claimants who exhausted their regular state benefits, were 100% federally funded.

1993-1994

Tax schedule B was in effect for 1993 and 1994, keeping the average unemployment tax rate at a low 1%. At the same time the tourism and construction sectors remained sluggish causing large benefit payouts from the fund.

1995-1998

The economy remained flat from 1995 through 1998, with benefit levels declining slightly each year. The fund balance stabilized at around \$210 million and tax schedule D stayed in effect from 1995 through 1998.

1999-2000

The economy was on the rise with insured unemployment dropping below 2% and the fund balance reaching \$300 million levels, triggering tax schedule C for 2001.

2001 In the aftermath of terrorist attacks on the World Trade Center and the Pentagon on September 11, 2001, the number of unemployed increased and the fund balance began to drop. Special legislation provides claimants exhausting regular benefits between September 11, 2001 and June 30, 2002 with 13 weeks of additional benefits and keeps tax schedule C in effect for calendar year 2002.